# THE DEVELOPMENT OF THE GREATER MEKONG SUBREGION (GMS) IN THE APEC CONTEXT [*]

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## 1. Introduction

On looking back, the last 10 years had brought many important changes to countries in Southeast Asia. Most of the 6-membered ASEAN countries had recovered from a recession in the mid-1980s and had enjoyed the return to economic prosperity. They were so confident about their promising future that they were willing to commit themselves to the creation of ASEAN Free Trade Area or AFTA within the next decade where all trades among themselves would face tariffs no larger than 5 per cent in all trade items. Former socialist states in Southeast Asia had all relinquished socialist ways of economic development and embraced market approach to economic development. We saw the official abolition of the Burmese Way to Socialism in Myanmar, the adoption of the New Vision of Economic Development in Lao PDR, and the Doi Moi or Economic Reform Movement in Vietnam, all before the close of the 1980s. Even the new government in Cambodia in the early 1990s had harboured the market-oriented approach to its economic nation-building. Two other events that took place within the last 10 years that could have, or are having, important impacts on countries in Southeast Asia have been the establishment of the Asia Pacific Economic Cooperation or APEC in 1989 and the Greater Mekong Subregion or GMS growth area in 1992. As will be shown in more detail later, these two developments will eventually merge or converge, with great economic repercussions for emerging economies in Southeast Asia.

The main purpose of this short paper is to assess or evaluate the prospects of the convergence of the GMS growth area into the realm of APEC. What will happen when the remaining countries in the GMS growth area join APEC? What will they have to do, or what is expected of them, in joining this famous regional grouping? Will they benefit from being new APEC members, or will they lose? What are the steps involved in making the best out of this eventual development and convergence of the GMS in the APEC context? These are some of the questions that we will address in this paper.

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Section 2 briefly recounts the origin of the GMS, taking into account the eventual expansion of ASEAN to cover all 10 countries in Southeast Asia, whereas Section 3 discusses the pertinent characteristics of APEC that will become relevant to all of these GMS countries later. After the basic information and facts about the nature and characteristics of GMS and APEC are known, Section 4 will look at what need to be done for the GMS to be a part of APEC in the future. Section 5 concludes and remarks on some policy implications.

## 2. The Origin of the GMS and Its Potentials

The advent of economic prosperity in East and Southeast Asia in the latter half of the 1980s had brought about a new thinking on the technique to stimulate or encourage further economic development in the region. This is the practice of economic cooperation based on specific configuration of geographical area such as a triangle or quadrangle. Although the origin of this idea of growth triangle or growth area may be difficult to pin down, it is well accepted that its popularity has been due to various efforts of the Asian Development Bank (ADB). According to the ADB, the growth triangle concept refers to the exploitation of complementarity among geographically contiguous countries to help them gain greater competitive advantage in export promotion. Growth triangle helps solve the practical problems of regional integration among countries at different stages of economic development, and, sometime, even with different social and economic systems. Growth triangle is also preferred to some existing types of economic cooperation because it entails low level of political and economic risks, and is preferred to regional trading bloc because it is more export-oriented and because of its non-exclusionary nature, and does not invite retaliatory action from outside. At present, one of the greatest growth areas in the Indochina subregion is the six riparian countries of the Mekong river, namely Yunnan Province of China, Myanmar, Lao PDR, Thailand, Vietnam and Cambodia which is now known as the Greater Mekong Subregion (GMS).

Why would or should any country in the GMS be interested in engaging in this form of regional cooperation? The most strategically-placed country in the Subregion is probably Thailand, which is also the strongest economy. Thailand can play a leading role in the future industrial development of the subregion. Despite its current economic difficulties, Thailand can be a cheap source of manufactured goods and consumer durables, and can provide some capital for development in the subregion, knowledge and technical know-how for industrial development, financial and other technical services. On the demand side, Thailand can be a large market for raw materials and energy inputs from its surrounding neighbours,

and subregional tourism generated from Thailand has a very promising potential indeed.

For China, this GMS economic zone should provide an excellent 'southern gateway that could bring greater economic prosperity to the south and southwest provinces of China (for example Yunnan, Guangxi and Sichuan). This is important in light of the fact that the opening up of the special economic zones in the coastal areas of China has resulted in increased economic disparities between the coastal provinces and inner, land-locked provinces. As far as the Yunnan Province is concerned, the distance to the sea at Laem Chabang in Thailand or the Gulf of Mataban in Myanmar is shorter than the same distance to the eastern coast of China. By being able to establish an alternative route to the south, Yunnan is expected to develop into another economic centre of south-western China, benefiting China in general and Yunnan and other south-western provinces in particular.

For Lao PDR, the long years of socialist economic management had strained its economic relationship with Thailand. With the advent of the New Economic Mechanism in 1986 when the country moved from a centrally planned to a market-oriented economy, the economic relationship with Thailand has improved. And this GMS economic zone should be an avenue by which future economic cooperation between Lao PDR and Thailand could develop. Potential economic benefits from greater economic cooperation between the two countries lie mainly in the area of energy, investment in agriculture, and tourism.

At present, the situation in Myanmar does not lend itself to a clear indication as to where the country is heading. The political problems are still not completely solved, which hinder its economic management. Nevertheless, the participation of Myanmar in the GMS is an indication that it is willing to work along with its neighbours in economic cooperation. In general, the economic and trade ties between Thailand and Myanmar have been strong, and could become even stronger when Myanmar becomes more democratised and its domestic economic situation becomes more orderly.

Despite the successful formation of a democratic government, the situation in Cambodia is still somewhat unstable. The country is still suffering from dis-organisation, inadequate capital, infrastructure and human resources. Help is still needed in these respects. Top priorities for subregional cooperation include various roads and railways linking Cambodia with Vietnam, Lao PDR and Thailand, and the upgrading of telecommunications network.

For Vietnam, the Doi Moi Economic Reform in 1986 has brought about drastic changes in the way the government has run the country. Foreign trade has been liberalised and foreign investment has been heavily promoted and encouraged. Although Vietnam has no difficulty establishing its external contact with other countries via the sea, the land distances between itself and its western neighbours are so short and easy to upgrade that it would be strange not to exploit this opportunity that the subregional cooperation will bring. It has been observed that when Route No. 9 that links Sawannakhet with Danang is connected with Mukdahan Province in Thailand through the second bridge across the Mekong River, it is shorter to ship some Thai products to the sea at Danang than down to Bangkok and Laem Chabang in the Eastern Seaboard of Thailand.

What have been the cooperative areas that the GMS countries have agreed to work together. Under the guidance of the ADB, there are 7 sectors that countries in the Greater Mekong Subregion have agreed to cooperate. They are:

- Transport
- Telecommunications
- Energy
- Tourism
- Environment
- Human Resource Development
- Trade Facilitation and Investment

Frequent meetings were held by responsible officials of member countries on all of the above sectors although it appears that progress was found more in one sector than the other. Probably the most visible progress is found in the transport sector where road and rail networks linking GMS countries. For example, as of early 1999, detailed engineering design, and environmental and social impact analyses of the Bangkok-Phnom Penh-Ho Chi Minh City-Vang Tau road project have been completed for the first phase involving the Phnom Penh and Ho Chi Minh City Road. Concrete agreements have also been reached on arrangements for detailed design, pre-construction and construction activities for the eastern part of Route 9 in Lao PDR and location of the Mekong bridge in the Thailand-Lao PDR-Vietnam East-West Transport Corridor project. Thailand has prepared plans to upgrade the road links from Chiang Khong to Chiang Rai in the Chiang Rai-Kunming Road Improvement Project via Myanmar and Lao PDR.

Another prominent sector is the energy sector. It was reported during the Eighth Ministerial Meeting at the ADB Head-office in Manila in October 1998 that the 210 MW plant in the

Theun-Hinboun Hydropower Project in Lao PDR was completed and had begun its commercial operations since April 1998. The tourism sector also has great potential in bringing greater economic prosperity into the subregion. Several promotional activities by private and national tourist organisations have resulted in a significant increase in awareness about the GMS as a tourist destination. Transport and tourism route along Lancang/Mekong River remains a fresh new territory to explore. On human resource development, progress was made in the cooperation in employment promotion and training in the GMS; prevention and control of HIV/AIDS, and the strengthening of capacity for addressing the health and education needs of ethnic minorities in the GMS.

In all, the above activities are just some examples of how the cooperation in the GMS could lead to increased economic activities across the subregion. The convenience brought about by the road and rail networks is certain to generate greater flows of goods and services, investment and people. Increased production and income will bring greater level of development and welfare among the people in the subregion. Economic cooperation in the GMS will bring higher growth to the subregion than the situation where there is no cooperation and everyone is acting independently. By moving the emerging members of the GMS faster to the level of the former ASEAN-6, the likelihood of these countries joining the APEC will be faster and less disruptive also.

## 3. The Principles and Modality of APEC.

APEC has come a long way since its birth in 1989 in Canberra, Australia under the initiative of Mr. Bob Hawke, then the Australian Prime Minister. With the same amount of time that it took for the Uruguay Round of GATT negotiations to reach an accord that gave birth to the World Trade Organisation (WTO), APEC has grown into a very promising regional organisation that indeed could be a model upon which many other regional or international organisations could observe and emulate. But all this has been accomplished in an atmosphere of much less stress, suspense and anguish that was the hallmark of the Uruguay Round of GATT negotiations. In 1993, with the personal blessing and participation of Mr. Bill Clinton, the President of the United States, the meeting of economic ministers among APEC members which was then the highest form of official meeting was elevated onto Economic Leaders' Meeting, more commonly known as the APEC Summit. From then on these economic leaders meet every year, in different APEC member economies. From 1994 to 1998 they met in Bogor, Indonesia; Osaka, Japan; Manila, the Philippines; Vancouver, Canada; Kuala Lumpur, Malaysia. In 1999, the venue is Auckland, New Zealand. The next two APEC Summits have also

been decided: in 2000, in Bandar Seri Begawan, Brunei, and in 2001, Beijing, China.

It is difficult to describe the nature of APEC in just a few words. It is not an economic grouping in the same mould as the European Union, or an economic organisation like the World Trade Organisation, or a specific free trade area as the North American Free Trade Area (NAFTA). It has elements of each of the above, yet has maintained its unique character and identity. Perhaps, APEC is an experience that is better understood from its evolution from an idea of a possible trade bloc to a voluntary trading association. And perhaps the following three concepts of APEC could describe the true nature of APEC: the spirit of APEC, APEC Spiritualism, and Esprit de Corps of APEC.

**(a) The Spirit of APEC**

As mentioned earlier, APEC came from the original idea of Mr. Bob Hawke, then prime minister of Australia in 1989. The circumstance under which this APEC idea was conceived was that in 1989, the Uruguay Round of GATT negotiations was under an eminent danger of collapse due to inability of its members to agree on several important basic issues including the treatments of agriculture and trade in services. If this historic trade negotiation should fail, it could bring about a trade war between Asia Pacific and Europe. At the extreme, APEC could be formed as such trade bloc that will challenge the European Single Market or European Union, and the impending trade war could be a messy one. Fortunately, the Uruguay Round was successful and a possible trade war was averted. But once started, the APEC idea could not stop, particularly when the idea is a good and innovative one. APEC would not be formed as a trade bloc but as an ‘open economic association’ (Yamazawa, 1992). It is open because it does not seek to discriminate against non-members. It is economic because it deals basically with economic growth, trade and investment. And it is an association because participants do not cede powers of regulation or enforcement to any supra-national regional institution.

By the time economic ministers of APEC member economies met for the second time in Seoul in 1991, the open regionalism concept of APEC was well entrenched although member economies were not quite sure what the exact form of this regional grouping might be in the future. This non-trade bloc posture of APEC was also a basic condition that enabled the participation of ASEAN which was already a successful regional grouping in its own right (see Box 1 for the Kuching Consensus or the principles of ASEAN participation in the APEC process). ASEAN countries were reluctant at first to participate fully in APEC for fear that it would

dilute its own ASEAN spirit. But as long as the Kuching Consensus is observed, there should not be any such fear.

It was now well known that Malaysia was opposed to the Australian concept of APEC at first. The Malaysian leader did not attend the first APEC Summit in Seattle in 1993, and when the Second Summit in Bogor came around in 1994, there was an earlier apprehension that the Malaysian leader may not attend again, which was certain to affect the solidarity of APEC. Not only that the Malaysian leader did attend, the Second Summit in Bogor had produced the Bogor Declaration that definitely defines the future form of APEC, that APEC will be a group of countries and economies which had set the goal of achieving free and open trade and investment in Asia Pacific by the year 2020 (see some of the important Bogor commitments in Box 2). It was indeed a bold pledge, or commitment which enhanced the image of APEC further.

Although Malaysia again raised some contentious points about the adoption and interpretation of the Bogor Declaration, they were in no way affect the general magnanimity of this declaration. Not only that tariffs will be reduced and trade and investment liberalised, future APEC will also call for economic and other trade and investment facilitation, and economic cooperation in more than 10 areas of economic work and social activities. [1] It must be the enthusiasm of most economic leaders of APEC to want to see the continuing momentum of APEC that they came out strongly and positively in support of APEC as portrayed in the Bogor Declaration. And they were willing to do many things to set examples for others to follow. These individual voluntary actions (such as tariff cuts, or participation in work programs) serve as 'peer pressures' that eventually drive other members to do the same or at least not to obstruct the move. And Malaysia could be counted in this category because not only that it no longer insists on a separate regional grouping that excludes Australia and New Zealand, it has proposed to be the host for the 6th APEC Summit in Malaysia in 1998. This willingness to accommodate the wishes of others and to work together for the benefits of the group has become the hallmark of APEC's cooperative spirit. [2]

**(b) APEC Spiritualism**

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[1] These 13 areas of work programs include (1) human resource development, (2) industrial science and technology, (3) small and medium enterprises, (4) energy, (5) transportation, (6) telecommunications and information, (7) tourism, (8) trade and investment data, (9) trade promotion, (10) marine resource conservation, (11) fisheries., (12) agricultural and technical cooperation, and (13) economic infrastructure.

[2] Dr. Mahathir Mohammad, the Prime Minister of Malaysia, who was earlier opposed to greater degree of formalisation of APEC, was reported to have said that, "…if it is the wishes of other members that it be strengthened, Malaysia would allow itself to be dragged along". Quoted by Hadi Soesastro (1995, p. 8).

Such was an indication of the spirit of APEC. But, to really accomplish the very fundamental principle of APEC will need more than the willingness to accommodate the wishes of others and to work together for the benefits of the group. It was mentioned earlier that APEC activities can be divided into 3 groups: trade and investment liberalisation, trade and investment facilitation, and economic and technical cooperation. It is the first group of activities that are important for APEC as an 'open economic association' in the way it was originally conceived. APEC participants will reduce tariffs to zero within a specified time period, and they will remove impediments to free trade and investments. But they will not do these only in exchange for the same from their trading partners; they will do this voluntarily and unilaterally, without having to wait for reciprocal gestures from their trading partners. In the language of APEC, they call this concerted unilateral actions. To do this they need more than courage to do something they have never done before. They need a conviction that such unilateral action will bring in greater good in the long-run, a conviction that may in fact derive from faith in the market system. It is this faith in the market force in support of free trade and free competition that gives rise to not just spirit of APEC but the spiritualism of APEC.

Why is that a voluntary and unilateral trade liberalisation is to be worshipped more than trade and exchange regime based on reciprocity? For one thing, to be able to excel in the most cost-productive technique of making things without the undeserved benefits of protection from competition would always put that producer ahead of everyone else, and he can enjoy all the comparative and competitive advantages from trading with anyone. So, reducing the protective walls of tariffs will bring forth the long-run benefits of the economy. Of course non-market arguments could be found to counter the impending benefits of free trade and non-distorted production techniques, the final proof may have to come from empirical testing or studies. This, the free trade school often wins. [3]

This may not be sufficient to really prove without any doubt the superiority of so-called MFN liberalisation over the FTA or free trade are liberalisation, but it suffices to convince most APEC members, especially members from East Asian economies, to have faith in this Asian method of concerted unilateral trade liberalisation in contrast to the so-called American methods which rely more on negotiated reciprocity. And that is enough for APEC for the time being. It should be noted that trade liberalisation activities (as well as other trade facilitation and economic and technical cooperation) are carried out in two tracks, one by

[3] Some of these studies are explained in Drysdale and Elek (1995), Wisarn et al. (1994), and Petri (as cited in Soesastro, 1999).

economic leaders at the summit, and the other by permanent bureaucrats or officials during the rest of the year. These bureaucrats can provide necessary information and suggestions to economic leaders who will make final decision or set policy for these bureaucrats to implement. These two players in the decision making game must have the same faith in the same thing, otherwise correct policy implementation cannot take place.

**(c) Esprit de Corps in Economic Cooperation**

From the frequent contacts that these bureaucrats meet their APEC counterparts in various APEC meetings, they must have developed closed personal friendship and camaraderie in their work. [4] This is another way that the peer pressure may be made to work. This peer pressure has developed out of the desire to do well, to please, to earn trust and respect of friends and colleagues. This spirit for the group or group action has brought about many results in the ASEAN setting, such as the change of items in the list not subject to fast track tariff reduction, the delays in submitting more items for tariff cuts, and other similar delaying tactics, but so far ASEAN bureaucrats in member countries have succeeded in getting what they want without alienating one another. If this can happen in the ASEAN setting, it can happen in the APEC setting too, as the basic principles are the same.

After the momentous target setting at the Bogor Summit, each APEC Summit that followed has produced concrete proposals or plans of action that inexorably push APEC forward. The Osaka Summit in 1995 had sharply defined the functions or activities of APEC as consisting of (a) trade and investment liberalisation, (b) trade and investment facilitation, and (c) economic and technical cooperation. The first two functions are often combined and referred to as TILF (trade and investment liberalisation and facilitation) and the third functions as ECOTECH. The Osaka

[4] This friendship can develop at all levels of APEC contacts. In the present setup, the meetings can take place in the following forums:
(a) Ministerial Meeting (MM) will take place once a year with the minister of foreign affairs of each member leading the delegation.
(b) Senior Official Meeting (SOM) will take place three to five times a year with senior officials with the rank of permanent secretary leading the delegation mainly to acknowledge and discuss the progress of the work carried out under APEC Work Programs and the administration of APEC Secretariat in Singapore.
(c) Working Groups Meetings (WG) will be meetings among experts in specific work programs which at present consist of 13 areas as mentioned earlier
(a) There are 3 more committee meetings that can be classified under regular activities. They are the meetings of the Committee on Trade and Investment (CTI), the Budget and Administration Committee (BAC), and the Economic Committee (EC). They meet about 3-4 times a year.
(e) APEC Secretariat Office is a regular centre for APEC administration and budget, coordinating and supporting work programs of APEC as mentioned above. The office is located in Singapore, and is headed by the Executive Director whose term is one year and the post is rotated among member countries.

Summit also produced the so-called Osaka Action Agenda where members had agreed to set their own priorities and schedules for liberalisation. The next summit in Manila in 1996 produced the Manila Action Plan for APEC (MAPA) where APEC members would submit Individual Action Plans (IAPs) that either set definite commitments for trade and investment liberalisation and/or facilitation (such as tariff cuts or the lifting of non-tariff barriers) or at least make some kinds of promise. The Vancouver Summit in 1997 had resulted in members' agreement to consider Early Voluntary Sectoral Liberalisation (EVSL) of 9 sectors in each member's economy. The Kuala Lumpur Summit in 1998 was probably the most problematic because it was held under the cloud of debilitating economic crisis in East and Southeast Asia, and internal political problems in Malaysia. The agreement to consider EVSL did not produce any positive result. In fact, it had jeopardised the status and stature of APEC as many members openly objected to the liberalisation of some sectors, and the meeting was saved only by a face-saving submission of sectoral liberalisation to the jurisdiction of the WTO. Yet the Kuala Lumpur Summit had succeeded in highlighting the importance of financial cooperation and the increased roles of APEC finance ministers, and the greater emphasis on human resource development in the ECOTECH networks.

Further on the need for assistance from member economies in economic cooperation, this need may cut across into other traditional areas of economic cooperation as well. So far we have 13 areas of work programs that cooperation among members could be undertaken. Two questions may arise with respect to whether the present coverage of economic areas in the work programs is appropriate, and whether APEC should add any more work areas. On the first question, it is obvious that the activities within the 13 work programs are quite diverse. Some programs such human resource development have received much attention from APEC members as can be seen from the large number of meetings among country officials. But some work programs hardly made much progress at all (for example, marine resource conservation work programs, fisheries work programs, and trade promotion work programs). To reduce administrative workload, perhaps APEC members might want to restructure these work programs, for example, combine marine resource conservation with fisheries, trade and investment data with trade promotion, and transportation with infrastructure.

The second question about what new work program should be included in the APEC system is more interesting. In the aftermath of the Manila Summit, we often heard about ECOTECH, and two implications that have emerged from such mentioning: one is the desire for APEC to promote greater or more sustainable

development in its cooperation efforts; and the other is possible reduction in official development assistance (ODA). Sustainability of development often means only the rehabilitation and preservation of physical environment, which is acceptable, but sustainable development should include social environment as well, and no other social environment problems could be more urgent than poverty and income inequality problems in many East and Southeast Asian APEC member countries today. [5] But these problems have not been addressed at all in the APEC setting despite the fact that no long lasting economic cooperation would work when only small proportion of the population would gain much more the rest in the country. The tendency to reduce ODA can also be looked upon as a rationalisation of donor countries who fail to observe the pledge to spend a certain small proportion of their national wealth and income to help poorer members in the group. ECOTECH is no excuse to reduce the ODA, and it could be argued that the establishment of a new work program that concentrates on attacking basic poverty and income inequality problems could indeed persuade or stimulate development authorities into put more emphasis on poverty alleviation and reduction in income inequality without having spending more on ODA.

## 4. What Need to be Done for the GMS to Join APEC?

Now that the basic characteristics of the two regional groupings, GMS and APEC, are known, how can we marry the two? Some of the members of GMS are already members of APEC, so they are fully absorbed into the working mechanisms of APEC. It is the four new members of ASEAN namely Cambodia, Lao PDR, Myanmar and Vietnam that special attention may be paid to the question how they can join APEC in the future, if at all. Although the current 21 members of APEC have agreed to observe another moratorium regarding acceptance of new members, the role and existence of ASEAN in APEC may give a special concession to ASEAN as a whole. With the admission of Cambodia as the last member of ASEAN, the process of ASEAN expansion is complete. Even if some ASEAN countries are not accepted as full-fledged members of APEC, they will always maintain a special relationship within APEC, being members of ASEAN.

The new or prospective new members of APEC may be required to fulfil the following conditions before being admitted to full members. These conditions are as follows:

### (a) Minimum Level of Economic Development

[5] The prospective entry of Vietnam as a new member of APEC make this urgency of this work program even greater. In the near future when ASEAN7 becomes ASEAN10 with Myanmar, Lao PDR, and Cambodia new ASEAN members and new prospective APEC members, the need for such inclusion is even clearer.

There are no specific requirements that any economy must reach a certain level of economic development before it can be considered or become a new member of APEC, and in fact the current membership setup in APEC is quite diverse with the two most powerful economies in the world as members (the US and Japan); the largest economy in terms of population but a developing economy in terms of its level of economic development (China); two city-state type economies but quite developed (Singapore and Hong Kong); and an OECD member which has the smallest number of population (New Zealand). But all members of APEC have at least one thing in common, that is all have adopted the market approach to economic development and management. All have striven to reach or maintain a high level of economic well-being or standard of living. All have engaged or attempted to engage in economic reforms that will reduce the level of economic distortions in the economies and increase the efficiency and competitiveness of such economies. The sufficient level of economic development may also imply the existence of economic institutions that are necessary for the type of economic activities required in APEC such as modern financial and payments systems, transportation and communications networks, capable bureaucracy and generally literate or well-educated population. Economic relationship between very rich and very poor partners may not be very productive and could evolve into the situation of patron-client relationship rather relationship among equals. And the impact of trading relationship between large and small members could create a well-known terms-of-trade effect where the larger trading partners reap all the gains from trade through their sheer size of products and market power. A minimum level of economic development may also imply that some regulatory measures to soften the adverse impacts due to size could be more easily implemented or followed.

(b) **Minimum Level of Political Development**

Again, there are no specific requirements that each economy or country must reach a certain level of political development before being considered for an APEC membership. Here the minimum political development is even more difficult to define than minimum economic development where some summary measures of economic development such as per capital GNP, total value of trade, external reserves can be used for such purpose. Democratisation is often used as a minimum requirement for political development, and this could mean frequent, regular, open and transparent elections of public offices. But minimum political development is more than just elections. It may have to include the respect of the basic human rights, the rights of minorities, the genuine belief in the rule of law, the opportunity for popular participation in decision-making process, the accountability of policy-makers or public-office holders, and so on. APEC community

probably would not tolerate the use of power to solve political conflicts, the failure to honour democratic political commitments or obligations, and the inability of the political system to consider issues that may have cross-border or supra-national political implications. Perhaps political education alongside general education may be necessary for those countries in the GMS which may still face with the problems of inadequate political development.

**(c) Acceptance of APEC Spirit**

Most important of all, perhaps, is the acceptance of the spirit of APEC as described in the previous section. The four new members of ASEAN should also be abided by the Kuching Consensus that defines the nature of the new economic grouping that does not violate the original concept or principle of ASEAN. Next came the principles of open regionalism that stress voluntary participation, concerted unilateral liberalisation in trade and investment, and non-discriminatory treatments to all trading partners. More specifically, prospective new members may still have to observe the Bogor target of 2010, although it is quite likely that some special measures or concessions may be necessary for poorer new members. The usual protective tariff regime for infant-industry purpose may have to give ways to tariff reduction quickly if a membership to the APEC community is considered. Moreover, there are other obligations that APEC are required to pursue, such as the submission of the IAPs on an annual basis, or the promise to consider early voluntary sectoral liberalisation (for the time being anyway). [6] Other facilitation obligations include, for example, the adoption of standards and conformance, customs procedures, intellectual property rights, competition policy, government procurement, dispute mediation, mobility of business people, and so on.

**(d) Participation in Specific Work Programs**

Currently there are more than 300 work activities in the 13 work programs that APEC members participate regularly throughout the year. These economic and technical cooperation activities are today considered not less important than the trade and investment liberalisation and facilitation aspects of APEC. In fact, some even go so far as to say that these ECOTECH activities are not the third leg or the third pillar of APEC but rather the heart the pumps blood to other parts of the APEC body (see Elek and Soesastro, 1999). For new and less economically established

[6] Recently several experts on or about APEC have come out against the concept and practice of EVSL, arguing that it is foreign to the original APEC concept of open regionalism and concerted unilateral liberalisation based on the development pace of each member. Some have argued that EVSL is suitable for the WTO-type mode of trade negotiations but not for APEC which is not a rule-based organisation but an organisation based on consensus and peer behaviour. See, for example, Hadi (1999) and Lloyd (1999).

members of APEC, the benefits from these work programs are enormous, and they are important means towards rapid attainment of minimum level of economic development. There are costs involved, however, and the costs may include both the cost of manpower and technical personnel who may be required to attend numerous meetings throughout the year, and the costs or expenses associated with such travels. Obviously by streamlining the work programs as suggested earlier, the benefits from participation may be brought into sharper focus and the costs reduced.

## 5. Summary and Conclusions

This paper has attempted to explain the origins and functions of the two most current regional groupings in East and Southeast Asia, the Greater Mekong Subregion and the Asia Pacific Economic Cooperation. The main purpose of the GMS is to utilise the joint resources in common geographical layouts for speedier development and larger benefits than if each member is acting alone. The GMS growth areas have large potentials for new development in transport, energy, tourism and human resources. The main purpose of APEC is to promote trade and investment liberalisation and facilitation, and economic and technical cooperation in the Asia Pacific region. It has praised the basic principle of unilateral economic liberalisation in APEC as a unique and very meaningful method of economic cooperation that emphasises open regionalism. It is believed that the long-term benefits from unilateral liberalisation is greater than short-term gains through negotiated reciprocity. But a newly liberalised or reformed economy runs the risk of economic vulnerability from outside economic influences, the risk which could be lessened by concerted group assistance. Group spirit is important for such cooperative activities as seen in APEC. For prospective new members of APEC in the GMS, what need to be done include attempts to reach minimum levels of economic and political development quickly, the adoption of the basic principles of APEC of voluntarism, unilateral liberalisation, and economic and technical cooperation, and the participation in various work programs that will eventually these prospective new members.

In conclusion, most countries in Southeast Asia especially the original 5 members of ASEAN, have shown a long tradition of depending the force of the market to dictate the direction of economic development and management. These market-oriented principles have served these countries well. The severe economic crises that trouble many of these countries at present may also be attributable to the market force, but this is only partially correct as the faults in institution setting and human misbehaviour in each country are also to blame for this. At any rate dependence on market force will also bring about rapid recovery. So, the guiding

principle of ASEAN is still intact. As one of the general principles of GMS economic cooperation is that it has no intention to lay the foundation towards the formation of a trade bloc, this subregional cooperation does not conflict with the main guiding principle of ASEAN. And in a larger context of APEC, ASEAN is always a proponent that APEC is a forum for intergovernmental cooperation with a view to supporting and promoting non-preferential and non-discriminatory trade and investment in the Asia-Pacific region. As such the GMS economic zone could be looked upon as a part of a much larger global economic arrangement that, once accomplished, will lead to a better life and livelihood of all the people in the region.

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## Box 1: The Kuching Consensus

ASEAN members in their meeting at Kuching, Malaysia in 1990 have agreed to adopt the following conditions toward the acceptance of APEC.

1. ASEAN's identity and cohesion should be preserved and its cooperative relations with its dialogue partners and with third countries should not be diluted in any enhanced APEC;
2. An enhanced APEC should be based on the principles of equality, equity and mutual benefit, taking into account the differences in stages of economic development and socio-political systems among the countries in the region;
3. APEC should not be directed towards the formation of an inward-looking economic or trading bloc but, instead, it should strengthen the open, multilateral economic and trading systems in the world.
4. APEC should provide a consultative forum on economic issues and should not lead to the adoption of mandatory directives for any participant to undertake or implement;
5. APEC should be aimed at strengthen the individual and collective capacity of participants for economic analysis and at facilitating more effective, mutual consultations to enable participants to identify more clearly and to promote their common interests and to project more vigorously those interests in the larger multilateral forums; and
6. APEC should proceed gradually and pragmatically, especially in its institutionalisation without inhibiting further elaboration and future expansion.

## Box 2: Some Targets from Bogor Agreements

- **Trade in goods**: Zero tariffs for all goods and removal of all quantitative restrictions.
- **International investment**: (a) national treatment of all firms in all sectors of production (except for a short negative list, e.g. some media); (b) no limits on rights of establishment (except for sector listed above); (c) national treatment of international investors in terms of fiscal policy (taxation and/or subsidies); (e) all APEC governments to accede to existing international conventions for the settlement of disputes relating to international investment.
- **Trade in services**: No limits on travel related to the provision of services for short-term visits.
- **Trade policy dispute settlement**: An APEC Code of Practice to be adopted urgently.
- **Competition policy**: Following the adoption of an agreed code of minimum standards for competition policy by 2010, no APEC governments to take anti-dumping measures against imports from any other APEC participant.
- **Administrative procedures**: full compatibility of customs documentation and clearance procedures, with EDI of all information.
- **Transport:** (1) full harmonisation of air traffic control procedure and safety standards; (2) No restrictions, other than for safety reasons, on landing rights for carriers with majority of shares owned by APEC nationals or by nationals of economies which impose no restrictions on landing rights to APEC-based carriers.; (3) all APEC governments to accede to the same international legal conventions for the carriage of goods by air, sea and land.
- **Telecommunications**: (1) mutual recognition of all technical telecommunications standards; (2) no restrictions to trans-border transactions; (3) national treatment for access to local common carrier networks.
- **Tourism**: visa-free travel by residents of APEC participants within the region for stays of up to 6 months.
- **Professional qualifications**: For an agreed list of professional and vocational qualifications professional qualifications set up procedures for APEC-wide recognition, based on accreditation of courses; or passing an accredited test.
- **Standards (other than already mentioned):** (1) by 2005, APEC governments to have completed a program of mutual recognition or harmonisation with at least the coverage as the EU achieved by end-1992, (2) by 2020, to have completed a program comparable to that of the EU at the time;

Source: Drysdale and Elek (1995, p. 13)